IV Accounting for Interfund Loans

This chapter describes the accounting procedures for interfund loans in CALSTARS. An interfund loan may be defined as when a fund lends money to another fund. Accounting for interfund loans is similar to accounting for operating transfers. Although interfund loans and operating transfers are different accounting events, they sometimes post to the same general ledger (GL) accounts. For more information about operating transfers, refer to Volume 3, Chapter II, Accounting For Operating Transfers.

Pooled Money Investment Account (PMIA) loans and loans made to non-governmental or other-governmental entities are not discussed in this chapter. PMIA loans, typically made to Bond funds, are discussed in Volume 3, Chapter III, Accounting for Bonds. Loans made to non-governmental or other-governmental entities are discussed in Volume 3, Chapter V, Accounting for Loan Disbursements.

BACKGROUND

Loans are accounted for as either short-term or long-term. A short-term loan has a term of one year or less, and a long-term loan has a term longer than one year. This chapter discusses the following types of interfund loans:

✪ Short-term loans that allow the State Controller's Office (SCO) to move monies between funds for cash flow purposes, per the following Government Code (GC) sections:

Section 16310 - authorizes interfund loans from special funds to the General Fund

Section 16351 - authorizes interfund loans from the General Fund to special funds

Section 16381 - authorizes interfund loans from special funds to the General Cash Revolving Fund (Fund 0644), and

✪ Other short-term and long-term interfund loans specifically authorized from the annual Budget Act, Executive Orders, special legislation, or Government Code sections other than the sections stated above.

ACCOUNTING FOR INTERFUND LOANS

Interfund loans authorized by GC 16310, 16351, and 16381 are accounted for differently than other specifically authorized interfund loans. The following sections describe the accounting procedures for both categories of loans.

Interfund Loans Per Government Code Sections 16310, 16351 and 16381

Loans authorized per GC 16310 are common during deficit years. The SCO posts the accounting entries in the Special Fund that makes the loan to the General Fund (under the agency's Organization Code). Examples of the accounting entries recorded in the Special fund are shown below:

> To record a loan made to the General fund:
> TC 219 - Record Loan Made To Another Fund
> Dr. 1400   Due From Other Funds
> Cr. 1140   Cash in State Treasury

> To record the repayment of the loan in the Special fund:
> TC 202 - Record Payment On Loan To Another Fund
> Dr. 1140   Cash in State Treasury
> Cr. 1400 Due From Other Funds

Entries in the Special fund (making the loan) are posted only at fund level by General Ledger Account number. Therefore, they are not posted to an appropriation or any other special account on the SCO Agency Reconciliation Report. Only the Document Number, Fund, Fund Source and Subsidiary are required fields for the entries. The first four digits of the required Subsidiary represent the 4-digit fund number of the fund receiving the loan.

When this type of interfund loan is outstanding at year-end, **no** additional entry or disclosure is required for year-end reporting.

Specifically Authorized Interfund Loans

The remainder of this chapter discusses loans specifically authorized, and does not pertain to loans per GC 16310, 16351, and 16381.

Loan authorizations typically contain the purpose and provisions for the loan, and loan provisions may vary greatly. Some interfund loans are interest free, some do not have a specific duration or due date, and some can be "forgiven" under certain conditions. Exhibit IV-1 and Exhibit IV-2 display the accounting activities and the corresponding CALSTARS entries. The entries in the exhibits are the most common accounting entries for specifically authorized interfund loans, and therefore, may not address every possible situation.

Monthly Reconciliations
Differences consistently occur between CALSTARS General Ledger postings and the corresponding SCO General Ledger (GL) postings. These General Ledgers are displayed on the SCO Fund Reconciliation Report as shown on the table below.

Accounting Event	GL Entries Per SCO	GL Entries Per CALSTARS
Receipt of loan repayment	Cr. 8000	Cr. 9811
Repayment of loan in fund that received the loan	Dr. 9000	Dr. 9812

Both SCO and CALSTARS treat interfund loan activities similar to operating transfers. SCO and CALSTARS both display the loan activities in Account Type **T** (Operating Transfers Out) and Account Type **R** (Operating Transfers In) accounts. Therefore, there should be no reconciling items between the SCO Agency Reconciliation Report and the CALSTARS DB2 SCO/CALSTARS Monthly Reconciliation and the CALSTARS HB4, Appropriation Transaction Summary Report.

Year-end Activities

Accruals

When interest earned or scheduled loan repayments for long-term interfund loans are due within one year, the amounts are accrued at year-end. However, these amounts may only be accrued and reported when the SCO has provided the interest and repayment information.

Year-end Statements

Footnotes are not required for interfund loans on the year-end statements. Refer to Volume 7, Chapter IV for additional information.

Establishing CALSTARS Tables

The following discussion relates to the establishment of Operating Transfers In and Operating Transfers Out accounts required for interfund loans. Refer to Volume 2, Chapter IV for additional information on establishing these tables and other tables related to interfund loans, e.g., PCA tables for revenue or expenditure transactions.

Budget Sequence (BS) Table:
Although interfund loans are not scheduled (appropriated/budgeted), the SCO may post a budget in the fund making a loan. TC 010 is used to record the budget for the interfund loan (Operating Transfers Out). The BS Table entry must be established prior to posting the TC 010. BS Table entry **001** may be used.

Appropriation Symbol (AS) Table:

A unique Appropriation Symbol should be established in CALSTARS for each interfund loan account maintained by the SCO. When possible, use the same codes as the SCO. The table below includes coding conventions that may be used when the SCO codes are blank. Refer to Volume 2, Chapter IV-AS, for complete coding information.

Data Element	Description
Account Type	For the fund <u>making</u> an interfund loan (Operating Transfers Out), use the SCO's Category Code or **00** if blank. For the fund <u>receiving</u> an interfund loan (Operating Transfers In), use **RR**.
Program	Leave blank.
Character	Normally related to Support. Use **1**.
Reference	For the fund <u>making</u> an interfund loan (Operating Transfers Out), use the SCO's Reference. For the fund <u>receiving</u> an interfund loan (Operating Transfers In), use **980**.
SCO Account Segment – Account Type	For the fund <u>making</u> an interfund loan (Operating Transfers Out), use **T**. For the fund <u>receiving</u> an interfund loan (Operating Transfers In), use **R**.
SCO Account Segment – Control Type	For the fund <u>making</u> an interfund loan (Operating Transfers Out), use **C**. For the fund <u>receiving</u> an interfund loan (Operating Transfers In), use **Q**.
SCO Account Segment – Revenue Account	Leave blank.
Allotment Object Level Indicator	Use **0**. Interfund loan transactions do not post to the Allotment File.
Reversion Indicator	Use **0.** Generally, operating transfers accounts are only for one year. At year-end, agencies may change the indicator to **1** to facilitate the management of the account balance that may not be available to the agency in the new year.

PA Table:

A direct PCA should be established to record the Operating Transfers Out for an interfund loan. The PCA must not reference a clearing account since the Operating Transfers Out will post directly against the appropriation. Accounting transactions for operating transfers, as well as expenditures, reimbursements, and revenues, post to the CALSTARS 'Q' (Operating File) reports. Program **95**, Fund Source **Z**, Object Detail **626**, and Source **3nnnn0**, where n is the Fund number, should be used to identify interfund loan activities. See Volume 2, Chapter IV-PA, for complete coding information.

Data Element	Description
PCA Type	Direct. Use PCA Type **1**.
Program	Use Program **95** unless the SCO specifically identifies a program with the interfund loan. Use Fund Source **Z**.
Disbursement Fund Information	Disbursement Fund information must be the same as Fund (Split) Distribution information. Operating transfers and interfund loans are never posted against a Clearing Account.
Allotment-PGM-Level-Ind	Use **0**. Transactions do not post to the Allotment File.

Project Control Table
A Project/Work Phase (WP) may be established to record the operating transfers activity, as well as expenditures, reimbursements, and revenues in the 'F' (Grant Project File) reports. The Project/WP should be identified in the applicable PA table record(s).

Index Code Table:
Unique Index Codes may be established to record interfund loan activity.

Cost Allocation Tables:
Interfund loans are not subject to cost allocation or fund distribution.

Descriptor Tables:

The following suggested coding conventions may be used for Descriptor Table codes for Interfund Loan activity. Refer to Volume 2, Chapter IV-DT, for additional coding information.

> **D15-Program**
> > Establish Program **95**, if needed.

> **D11-Object Detail (Statewide Table)**
> > Use Object Detail **626** (when Object Detail is required) to post Operating Transfers Out and Interfund Loans transactions.

> .**D32-Subsidiary**

> > Establish Subsidiaries for the following GLs, if required:

> > > GL 1400-Due From Other Funds
> > > GL 3110-Due To Other Funds
> > > GL 9811 Operating Transfers In
> > > GL 9812 Operating Transfers Out

> > Refer to Volume 1, Chapter V, and Volume 2, Chapter IV-DT, for information on establishing a Subsidiary. The Subsidiary is **nnnn0000**,

where *nnnn* is the 4-digit UCM fund number of the fund <u>receiving</u> the interfund loan or the fund <u>making </u>the interfund loan.

D33-Source

Establish Source codes for a fund <u>receiving</u> an interfund loan (Operating Transfers In). The Source is **3nnnn0**, where nnnn is the 4-digit UCM fund number of the fund <u>making</u> the interfund loan. Source codes are established in the Statewide D33 Table, but are not automatically established in the D33 Table for all funds. If a Source code for an interfund loan account is needed, call or e-mail HOTLINE@dof.ca.gov with the fund number and name.

Record An Original Appropriation:	

1	Record an original appropriation:
	    TC 010 - Record an Original Appropriation
	        Dr. 6120 Appropriations-Offset
	          Cr. 6110 Appropriations
		Use TC 010 to set up a budget for an interfund loan (Operating Transfers Out). Use TC 010R to decrease the budget. Budget Sequence **001** may be used. The SCO Journal Entry will debit GL 5510 and credit GL 6030 on an SCO Account Type "T" (Operating Transfers Out) to post a budget to the account.

Record Interfund Loan:	

2	Record loan:
	(A) TC 481 - To Record Operating Transfers Out
	        Dr. 9812 Operating-Transfers-Out
	          Cr. 1140 Cash in State Treasury
	
	                - And -
	
	      For Long-Term Interfund Loans
	
	(B) TC L01 - Record Interfund Loan Noncurrent
	        Dr. 2170 Interfund Loans Receivable
	          Cr. 5370 Reserve for Interfund Loans Receivable
		Use TC 481 to record the total amount of the interfund loan. Use Object Detail code **626**. Use Subsidiary **nnnn0000**, where nnnn identifies the fund receiving the interfund loan. The SCO may debit GL 9022 - Expenditures, instead of GL 9812 - Operating Transfers Out, when the loan is from a Governmental Cost Fund to a Non-Governmental Cost Fund.
		
		Use TC L01 to record the noncurrent portion of the interfund loan. Use the same Subsidiary that was used with the TC 481. The SCO will debit GL 2170 Interfund Loans Receivable and credit GL 5370 Reserve for Interfund Loans Receivable for the noncurrent portion of the loan.

Record Interfund Loan Repayment:	

3	Record loan repayment:
	(A) TC 483 - To Record Operating Transfers In
	        Dr. 1140 Cash in State Treasury
	          Cr. 9811 Operating Transfers In
	
	                - And -
	
	      For Long-Term Interfund Loans
	
	(B) TC L02 – Record Liquidation of Long-Term Interfund Loan
	        Dr. 5370 Reserve for Interfund Loans Receivable
	          Cr. 2170 Interfund Loans Receivable
		Use TC 483 to record loan repayment. Use Source **3nnnn0** where *nnnn* identifies the fund making the loan repayment. Use Subsidiary **nnnn0000**, where nnnn identifies the fund making the transfer.
		
		The SCO may credit GL 9830 - Loan Repayments (with Source code **530000**), when the Loan is between a Governmental Cost Fund and a Non-Governmental Cost Fund.
		
		Use TC L02 to liquidate a long-term interfund loan. Use the same Subsidiary that was used with the TC 483. The SCO will debit GL 5370 Reserve for Interfund Loans Receivable and credit GL 2170 Interfund Loans Receivable.

Record interest payment:		

4	Record Interest Payment:
	    TC 136 - Record SCO Collection of Revenue (Not Billed)
	        Dr. 1140 Cash in State Treasury
	          Cr. 8000 Revenue/Operating Revenue
		Use TC 136 to record interest earned. For Governmental Cost funds, use Source code **150500;** for Non-Governmental funds, use Source code **214000**.

Record accrual of loan repayment and interest when payment is due within one year:		

5	Record accrual of loan repayment due within one year:
	(A) TC 260 - Record Accrual of Operating-Transfers
	        Dr. 1400 Due From Other Funds or Appropriations
	          Cr. 9811 Operating Transfers In
	
	        - AND -
	
	    TC L02 – Record Liquidation of Long-Term Interfund Loan
	        Dr. 5370 Reserve for Interfund Loans Receivable
	          Cr. 2170 Interfund Loans Receivable
	
	Record accrual of interest due within one year:
	(B) TC 176 - Record Amount Due From Other Funds
	        Dr. 1400 Due From Other Funds …
	          Cr. 8000 Revenue/Operating Revenue
		Use TC 260 to accrue interfund loan repayment. Use Source **3nnnn0**. Use Subsidiary **nnnn0000**. Refer to Entry # 3 above.
		
		Use TC L02 to liquidate a long-term interfund loan. Use the same Subsidiary that was used with the TC 483. The SCO will debit GL 5370 Reserve for Interfund Loans Receivable and credit GL 2170 Interfund Loans Receivable
		
		Use TC 176 to accrue interest earned. Use Source code **150500 or 214000**. Refer to Entry # 4 above.
		
		SCO does not issue a Journal Entry to record an accrual for either the loan repayment or interest earned.

Record liquidation of interfund loan accruals:		

6.	Liquidate loan repayment accrual:
	    (A) TC 259 – Liquidate Due From Other Funds
	        Dr. 1140 Cash In State Treasury
	          Cr. 1400 Due From Other Funds
	
	Liquidate revenue/operating revenue accrual:
	    (B) TC 135 – SCO Receipt of…Revenue/Operating
	         Revenue
	        Dr. 1140 Cash In State Treasury
	    Cr. 1400 Due From Other Funds
		Use TC 259 to liquidate loan repayment accrual and to record SCO receipt for interfund loan repayment. Use coding per Entry # 5A above.
		
		Use TC 135 to liquidate interfund loan interest accrual and to record SCO receipt for interest earned. Use coding per Entry # 5B above.

Accounting Event	Short-Term	Long-Term
1. Record an original appropriation for interfund loan	010	010
2. Record an interfund loan		
(A) Record interfund loan (Operating Transfers Out)	481	481
(B) Record long-term portion of interfund loan		L01
3. Record interfund loan repayment		
(A) Record interfund loan repayment (Operating Transfers In)	483	483
(B) Liquidate long-term portion of interfund loan		L02
4. Record interest received on interfund loan.	136	136
5. Record accrual of interfund loan repayment and interest earned (at year-end for due within one year)		
(A) Interfund loan repayment accrual (short-term), and Reduce long-term loan	260	260 L02
(B) Interest accrual	176	
6. Record liquidation of accruals (interfund loan repayment and interest).		
(A) Liquidate interfund loan repayment accrual	259	
(B) Liquidate interest accrual	135	

1140 Cash in State Treasury		1400 Due From Other Funds/Appns		2170 Interfund Loans Receivable		5370 Reserve for Interfund Loans Receivable		6110 Appropriations	
	2A			2B [1]			2B [1]		1
3A 4 6A 6B		5A 5B	6A 6B		3B [1] 5A [1]	3B [1] 5A [1]			

6120 Appropriations -Offset		8000 Revenue		9811 Operating Transfers-In		9812 Operating Transfers Out	
1			4 5B		3A 5A	2A	

[1] Long-term loans on non-shared funds only.

EXHIBIT IV-2
RECORD **SPECIFICALLY AUTHORIZED** SHORT-TERM AND LONG TERM INTERFUND LOAN
IN THE <u>FUND THAT RECEIVES THE LOAN</u>

Record receipt of interfund loan:		

1	Record the transfer in of interfund loans:
	(A) TC 483 - To Record Operating Transfers In
	    Dr. 1140 Cash in State Treasury
	      Cr. 9811 Operating Transfers In
	
	- AND -
	
	FOR LONG-TERM INTERFUND LOANS:
	
	(B) TC L03 - Record Interfund Loan Payable Noncurrent
	    Dr. 2500 Prov. for Def. Interfund Loans Payable
	      Cr. 4050 Interfund Loans Payable
		Use TC 483 to record the SCO receipt of the interfund loan. Use Source **3nnnn0**; where *nnnn* is the fund that <u>made</u> the interfund loan. Use Subsidiary **nnnn0000**, where nnnn is the fund that <u>made</u> the loan.
		
		The SCO may credit GL 8000, Revenue, rather than GL 9811, Operating Transfers In, when the loan is from a Non-governmental Cost Fund to a Governmental Cost Fund.
		
		Use TC L03 to record the long-term portion of the interfund loan payable. Use the same Subsidiary that was used for the TC 483.
		
		The SCO will debit GL 2500, Provision for Deferred Interfund Loans Payable, and credit GL 4050, Interfund Loans, for the non-current portion of the loan.

Record repayment of interfund loan:		

2	Record repayment of the loan:
	(A) TC 481 - To Record Operating Transfers Out
	    Dr. 9812 Operating Transfers Out
	      Cr. 1140 Cash in State Treasury
	
	- AND -
	
	FOR LONG-TERM INTERFUND LOANS:
	
	(B) TC L04 - Liquidate Long-Term Interfund Loans Payable
	    Dr. 4050 Interfund Loans Payable
	      Cr. 2500 Prov. For Def. Interfund Loans Payable
		Use TC 481 to record the repayment of the interfund loan. Use Object Detail code **603**, principal. Use Subsidiary **nnnn0000**, where nnnn is the fund that <u>made</u> the interfund loan.
		
		The SCO may debit GL 9010 - Operating Expenditures, when the loan is between a Governmental Cost Fund and a Non-Governmental Fund.
		
		Use TC L04 to liquidate the the long-term interfund loan liability. Use the same Subsidiary that was used for the TC 481.
		
		The SCO debits GL 4050, Interfund Loans Payable, and credits GL 2500, Provision for Deferred Interfund Loans Payable, to liquidate the long-term interfund loan liability.

Record interest payment:		

3	Record interest payment:
	    TC 242 - Record Direct SCO Pay of Exp Not Prev Enc or Accrued
	    Dr. 9000 Expenditures
	      Cr. 1140 Cash in State Treasury
		Use TC 242 to record the interest payment. Use Object Detail code **602**, interest expense.

Record accruals for repayment of interfund loan and interest expense when payment is due within one year:		

4	Record accrual for repayment of interfund loan due within one year:
	(A) TC 579 - Record Accrual of Operating Transfers Out/Due to Other Funds
	    Dr. 9812 Operating Transfers Out
	      Cr. 3110 Due to Other Funds or Appropriations
	
	- AND -
	
	  TC L04 Liquidate Long-Term Interfund Loans Payable
	    Dr. 4050 Interfund Loans Payable
	      Cr. 2500 Prov. For Def. Interfund Loans Payable
	
	Record accrual of interest expense due within one year:
	(B) TC 285 - Record Amount Due To Other Funds
	    Dr. 9000 Expenditures
	      Cr. 3110 Due to Other Funds or Appropriations
		Use TC 579 to record the accrual for the repayment of an interfund loan due within one year. Use Object Detail code **603**, principal. Use Subsidiary **nnnn0000**, where nnnn is the fund that <u>made</u> the interfund loan.
		
		Use TC L04 to liquidate the portion of the long-term interfund loan due within one year. Use the same Subsidiary that was used for the TC 579.
		
		Use TC 285 to accrue interest expense due within one year. Use Object Detail code **602**, interest expense. Use Subsidiary **nnnn0000**, where nnnn is the fund that <u>made</u> the interfund loan.
		SCO does not issue a Journal Entry at year-end to record an accrual for either the repayment of a loan or the interest expense.

5	Record SCO payment of previously accrued loan principal:
	(A) TC 262
	    Dr. 3110 Due to Other Funds or Approprations
	      Cr. 1140 Cash in State Treasury
	
	Record SCO payment of previously accrued interest:
	(B) TC 262
	    Dr. 3110 Due to Other Funds or Approprations
	      Cr. 1140 Cash in State Treasury
		Use TC 262 to liquidate the interest expense accrued and to record the SCO payment of the amount Due to Other Funds.

	Accounting Event	Short-Term	Long-Term
1.	Record the receipt of funds	483	483 L03
2.	Record repayment of loan	481	481 L04
3.	Record interest payment	242	242
4.	Record accrual of loan repayment and interest when due within one year		
	(A) Loan repayment accrual	579	579 L04
	(B) Interest accrual	285	
5.	Record liquidation of accruals		
	(A) Liquidate accrual and record payment for amount of interfund loan returned.	262	
	(B) Liquidate accrual for interest expense paid	262	

1140 Cash in State Treasury	3110 Due To Other Funds/Appns	9000 Appropriation Expenditures	9811 Operating Transfers-In	9812 Operating Transfers Out

1 | 2
  3
  5A
  5B
	5A | 4A
	5B | 4B
		| 3
		| 4A
		| 4B
			| 1	2
				
				4A |

2500 Provision For Deferred Interfund Loans Payable	4050 Interfund Loans Payable
$1^{1/}$ | $2^{1/}$ $4A^{1/}$	$2^{1/}$ | 1^{1} $4A^{1/}$ |

$^{1/}$ Long-term loans on non-shared funds only.